

Message Text

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73

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 STR-04 CEA-01 ITC-01 IO-11

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R 091644Z FEB 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7081

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

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EO 11652: N/A

TAGS: EMIN, ECON, ETRD, EALR, CI

SUBJECT: MEETING OF ANDEAN PACT TECHNICIANS

REF: SANTIAGO 0366

1. A MEETING OF THE "JUNTA DEL ACUERDO DE CARTEGANA," ANDEAN PACT REPRESENTATIVES AT THE HIGHEST TECHNICAL LEVEL, HAS BEEN ANNOUNCED FOR FEBRUARY 15 THROUGH 17 IN SANTIAGO. CHIEF AGENDA ITEMS WILL BE THE QUESTION OF EXTENDING STILL FURTHER THE DATE OF AGREEING ON A COMMON EXTERNAL TARIFF, AND THE QUESTION OF ELECTING A NEW JUNTA. DEPARTMENT WILL RECALL THAT THESE QUESTIONS WERE TO HAVE BEEN SETTLED BY THE ANDEAN PACT COMMISSION (HIGHEST POLITICAL LEVEL) AT ITS MEETING IN LIMA LAST DECEMBER. INSTEAD, THE DECISION WAS TAKEN TO POSTPONE

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SETTLEMENT OF THESE QUESTIONS BUT NOT LATER THAN THE END OF

FEBRUARY.

2. THE CHILEAN OFFICIAL POSITION, RECENTLY PUBLICIZED IN EL MERCURIO, IS THAT THE GOC WILL ACCEPT A FURTHER AND FORMAL EXTENSION, BEYOND FEBRUARY 29, OF A RESOLUTION OF THE COMMON EXTERNAL TARIFF, AND WILL PARTICIPATE IN THE SELECTION OF A NEW JUNTA, ONLY IF THE COMMISSION AGREES TO A "FUNDAMENTAL REVIEW" OF ANDEAN PACT DECISION 24, GOVERNING FOREIGN INVESTMENT.

3. PRIVATELY, CHILEAN GOVERNMENT SOURCES REPORT THAT THERE IS PRESSURE FROM SOME ANDEAN PACT COUNTRIES TO DEAL WITH THESE TWO SUBJECTS AT THE COMISSION LEVEL. HOWEVER, THE CHILEAN VIEW IS THAT BOTH MATTERS ARE TECHNICAL, AND THAT THERE SHOULD BE CONSENSUS AT THE JUNTA LEVEL BEFORE THEY ARE PUT FORWARD TO THE COMMISSION LEVEL. ASSUMING A CONSENSUS AT THE JUNTA LEVEL, IT IS EXPECTED THAT THE COMMISSION WOULD MEET SHORTLY THEREAFTER. THE CHILEANS HOPE THAT SUCH A JUNTA CONSENSUS WILL BE ARRIVED AT. GOC REP PIPINO INFORMED COMATT THAT HIS INSTRUCTIONS FOR THE FEBRUARY JUNTA MEETING ARE TO HOLD OUT FOR A MODIFICATION OF THREE BASIC POINTS OF THE PACT'S DECISION 24: A 14 PERCENT LIMIT ON PROFIT REPATRIATION, LIMITATIONS ON TAKE-OVERS BY FOREIGN INVESTORS, AND THE "BUYOUT" FEATURE OF THE CODE.

4. MEANWHILE CHILE HAS GONE AHEAD WITH ANOTHER ROUND OF REDUCTIONS OF ITS OWN TARIFF SCHEDULE, THE SIXTH IN A SERIES WHICH STARTED UNDER THE PRESENT GOVERNMENT. ACCORDING TO PIPINO THIS REDUCTION CONFLICTS WITH AGREED PROCESS OF CALCULATING THE ANDEAN PACT'S COMMON EXTERNAL TARIFF AND WILL CAUSE FRICTIONS AT THE JUNTA MEETING NEXT WEEK. PIPINO ADMITS THAT CHILE WILL BE CRITICIZED BY OTHER PACT MEMBERS FOR MAKING A UNILATERAL TARIFF REDUCTION (WHICH AFFECTS THE BASE OF THE COMMON EXTERNAL TARIFF) BEFORE SETTLING THE MATTER WITHIN THE JUNTA. HOWEVER, HE SAID THAT CHILE'S LEGAL POSITION IS SOUND. (IN FACT, WE UNDERSTAND THAT GOC HAS DEVOTED CONSIDERABLE LEGAL TALENT TO RESEARCHING THIS QUESTION.) OTHER PACT MEMBERS, PIPINO NOTED, HAVE "CAST THE FIRST STONE" BY REFUSING IN DECEMBER TO COME TO GRIPS WITH INCONSISTENCIES BETWEEN THE SECTORAL PROGRAM OF INDUSTRIAL DEVELOPMENT AND THE COMMON EXTERNAL TARIFF.

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5. ASKED IF THIS DISAGREEMENT COULD END CHILE'S MEMBERSHIP IN THE ANDEAN PACT, PIPINO ANSWERED, "NOT NECESSARILY." HE SAID THAT CHILE HAS PASSED THROUGH SEVERAL SIMILAR CRISES IN THE PAST, BUT, HE ADDED, "CHILE MUST CONCERN ITSELF WITH ITS OWN WELFARE. WE CANNOT CONTINUE WITH INTEGRATION FOR INTEGRATION'S SAKE, ESPECIALLY IF OUR OWN WELFARE SUFFERS." POPPER

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